

**WHICH AVENUE FOR SUGAR TRADE REFORM?  
WTO, REGIONAL OR BILATERAL**

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Sugar is generally regarded as the most political of the commodities traded. It is produced by approximately 120 countries and is an important contributor to their economies.

Sugar is not the general run of the mill agricultural commodity, when properly understood. It is highly capital intensive. In cane sugar production it is highly labour intensive, it is rural based, environmentally beneficial and a desirable source of renewable energy. Because of the above sugar production has been referred to as multi-functional and not a solo economic activity.

As liberalization spreads and the global economy seeks to find better ways to enhance trade between nations, sugar in my view will present the ultimate test to find a mode of trade that is remunerative to the producer, reasonable to the intermediate user in sugar based products while being economical to the final consumer.

The sugar trading regime currently in operation in the USA and the EU are both being challenged by politicians and some users of sugar. They both have within them the element of reasonable remuneration for producers of sugar, bearing in mind the vagaries of nature that so often adversely affect the production of sugar in any year.

In the view of the sugar producers in the Caribbean the regimes in USA and EU represent a most sensible arrangement in commodity trading. They both provide access to their markets at remunerative prices for the average efficient producer of sugar.

They provide annual guarantees and allow sugar producers to plan their business on a reasonably long term basis. As they are being revised we are expecting that a lot of the desirable aspects will be retained.

We need to declare to the world that the Caribbean sugar producers plan to remain in sugar production in one form or the other. Considering that we are mostly small island states vulnerable to acts of God, we are working on diversification within the sugar cane industry.

In so doing we will seek to establish several income streams from the growing and processing of sugar cane. Sugar will still be the major earner for the industry but we will be less dependent on the production of sugar. Having more income generating products from the same sugar cane raw material will contribute to the reduction in the unit cost of production.

Notwithstanding the above internal rearrangements, if sugar trade is not properly streamlined Caribbean producers will find continued production and trading in sugar challenging.

The sugar cane industry is perhaps the most dependable agribusiness activities engaged in by most developing countries.

The future development of these economies depends on sugar to make a meaningful contribution. The Doha round of the WTO is referred to as the DOHA Development round. The declared intention of all trade negotiations is to alienate poverty and this is an objective voiced over and over by the developed countries.

If the sugar cane industries in small vulnerable economies are undermined or diminished in trade arrangements it will have a disastrous impact on the development prospects of such economies and would negate the declared purpose of the current trade negotiations.

Small economies with a narrow industrial base and limited options to diversify export crops are extremely vulnerable.

The WTO July 2004 Framework recognized that the role of preferences and the negative impact of their erosion and committed members to craft rules that fully take this issue into account.

The very small amount of preferential trade compared to overall global trade has been recognized and such trade has no impact by way of damaging world trade. Why then interfere with and try to diminish preferential trade and thereby inflict devastating consequences on these small affected developing countries?

In whatever forum sugar is negotiated it must first of all be classified as:

- a) A sensitive product requiring special trade arrangements
- b) Economies like those in the Caribbean, qualify for special and differential treatment
- c) Preferential arrangements benefiting our economies have a continuing and valid role to play in our trade/development.

While we may agree that sugar could be put on the table in FTAA negotiations, we believe it should that the final decision should be left for the WTO negotiations where development is fully recognized as an objective as is the need for special and differential treatment.

Caribbean sugar producers consider their current sugar trade arrangement with the EU under the sugar Protocol is of paramount importance to our future and that of other small vulnerable economies in the ACP.

We are quite definite that the basic elements of this arrangement must be preserved in any International, Regional, or Bilateral negotiations entered into.

Caribbean sugar producers regard the multilateral environment as being the most suitable location for dealing with the reform of sugar trade for the following reasons:

*The bulk of the world sugar trade is conducted under special arrangements which have been arrived at in specific circumstances.*

To unscramble any one of these arrangements is sure to have ripple effects, not only on sugar itself but also on other commodities, and on the general trading profile of small states in particular.

To manage these ripple effects and to maintain the overall balance of concessions, the trading experience especially of small states has to be seen in the round. This is best possible in a multilateral dimension.

The WTO panel ruling in the case of Australia, Brazil and Thailand versus the EU, it specifically called on the EU to uphold its international commitments to developing countries.

The sugar Protocol between the ACP producers and the EU calls for guaranteed access of a definite tonnage at a guaranteed price negotiated annually and for an indefinite duration.

The Protocol established in the Treaty of Rome is thirty (30) years old, providing unbroken flow of sugar to EU refiners over this period. No new doctrine of free trade, low tariff and open competition pursued with evangelical zeal should be allowed to interfere with an arrangement which has benefited the ACP producers and economies, provided consistent supplies in a dependable manner to EU cane sugar refiners and ensure consumers of consistent supply at steady prices over these years.

The arrangements between the USA and the forty (40) off-shore suppliers provide access for annual quotas at prices similar to those received by USA producers, and last for approximately seven (7) years at a time - the life of each Farm Bill.

The benefits from these arrangements are extremely valuable to the continued viability of sugar cane production in these benefiting producing countries. Any serious alteration that reduces the benefits now enjoyed by sugar cane growing countries could not be considered in the best interest of WTO trade in agriculture which is of deep interest to developing countries.

When sugar is included in the Bilateral Trade Agreement it must not be accompanied by counter measures to undermine the upfront benefit intended by its inclusion. It must stand alone with all the provisions to ensure its continued high level contribution to the development of the countries involved.

We know too well the economic, social and cultural disasters visited on some rural township when alterations in sugar trade arrangements force the closure of a sugar cane producing and processing unit. Such closure is followed by all sorts of social and economic ills with the attendant antisocial activities.

When sugar is included in Regional trade agreements the sensitivity of the sugar cane industry must be reorganized and provided for. It perhaps may be easier for sugar to be dealt with in regional arrangements, since our close knowledge of each other's economy should make mutual beneficial trade arrangements more easily arrived at.

We in the Caribbean are living through, at the moment, clear examples, maybe not of ripple but of waves: in the EC reform proposals for their sugar regime, and in the WTO appeal case, to be argued in early March, on European subsidies in sugar.

Our experience of these issues reveal several layers of connectedness that go beyond the scope of bilateral relations, which are consequently incapable of handling the wide-ranging fallout from these developments.

The WTO case, in particular has set a record in relation to the number of countries involved. This alone shows that the forces which are unleashed in reorganizing the trade in sugar are best handled in a wider setting than bilateral or regional negotiations.

WTO in our view offers the best chance to arrive at a formula that is less distorting and more accommodating for all involved. The domestic support afforded by developed countries to their industries need to be put on the table so all can know their full impact on production and trade in sugar.

All the other special provisions provided to ensure viability need to be looked at and acknowledged for their true value to countries involved.

Having said this, however, we are aware that several of our trading partners have opted to pursue bilateral and regional arrangements. We would urge that, in so doing, they keep alive the international dimensions of the problem and remain sensitive to the case of small and vulnerable economies.

If we are unable to find an acceptable arrangement for sugar trade world wide, we are not likely to arrive at any long lasting agreement in WTO on trade in agriculture.

We owe it to the future generations to be innovative, accommodating and neighbourly in the drive to globalization and liberalization.